

m/037/088

**SUMMO USA CORPORATION**

P.O. Box 847

Moab, Utah 84532

Telephone: (435) 259-3077/Fax: (435) 259-3955

September 21, 1999

Mr. Anthony Gallegos  
State of Utah  
Division of Oil, Gas & Mining  
1594 West North Temple, Suite 1210  
Salt Lake City, Utah 84114-5801

**RE: Reclamation Surety Bond Rider, Lisbon Valley Project (M/037/088)**

Mr. Gallegos:

Summo USA Corporation (Summo) and Lisbon Valley Mining Company LLC currently have a Reclamation Bond (#41-0130-24289-97-1) in the amount of \$69,900 that was posted for existing operations at the Lisbon Valley Copper Project.

Recently your Division approved an Exploration Plan (9/8/99), that required an increase in the above referenced Bond to \$77,066, which is an increase of \$7,166. The Executed Bond Rider for this activity is attached for your files (Attachment 1).

In addition, I am attaching a completed and executed Reclamation Contract (Attachment 2), which needs a Division Signature and Notary. Once this is completed, would you please send a final executed copy to me for our files, along with copies to the SITLA and BLM?

Thank you very much for expediting the review and approval of this Project. If you have any questions regarding this update, please contact me at the listed letterhead number.

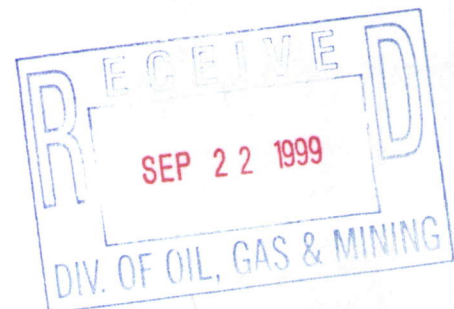
Sincerely,



Robert A. Prescott  
Vice President-Operations

Attachments (2)

cc: Lee "Pat" Gochnour - Gochnour & Associates, Inc.



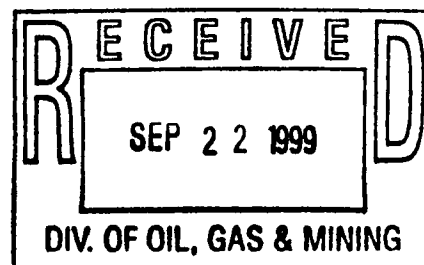
FORM MR-RC  
Revised January 7, 1999  
RECLAMATION CONTRACT

File Number M/037/088

Effective Date Oct. 6, 1999

Other Agency File Number BLM - UTU-72499  
SITLA - ML 20569

STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION of OIL, GAS and MINING  
1594 West North Temple Suite 1210  
Box 145801  
Salt Lake City, Utah 84114-5801  
(801) 538-5291  
Fax: (801) 359-3940



RECLAMATION CONTRACT  
---ooOoo---

For the purpose of this RECLAMATION CONTRACT the terms below are defined as follows:

"NOTICE OF INTENTION" (NOI): (File No.) M/037/088  
(Mineral Mined) Copper

"MINE LOCATION":  
(Name of Mine) Lisbon Valley Copper Project  
(Description) 18 miles south of La Sal, Utah,  
San Juan County

"DISTURBED AREA":  
(Disturbed Acres) 3.59 acres (increase of 1.02 acres)  
(Legal Description) (refer to Attachment "A")

"OPERATOR":  
(Company or Name) Summo USA Corporation &  
Lisbon Valley Mining Co. LLC  
(Address) by Summo USA Corporation - Manager  
Denver Center Building, Suite 900  
1776 Lincoln Street  
Denver, CO 80203  
(Phone) 303-861-5400

(Name) CT Corporation  
(Address) 50 West Broadway  
8<sup>th</sup> Floor  
Salt Lake City, Utah 84104  
(Phone) 801-531-7090

"OPERATOR'S OFFICER(S)":  
Greg Hahn - President  
Robert Prescott - Vice President  
James Frank - V.P. Finance & CFO

"SURETY":  
(Form of Surety - Attachment B) Surety Bond - w/rider

"SURETY COMPANY":  
(Name, Policy or Acct. No.) United States Fidelity and Guaranty Co  
~~233900242752000~~

"SURETY AMOUNT":  
(Escalated Dollars) \$77,066 (Increase of \$7,166)

"ESCALATION YEAR": 2004

"STATE": State of Utah  
"DIVISION": Division of Oil, Gas and Mining  
"BOARD": Board of Oil, Gas and Mining

ATTACHMENTS:  
A "DISTURBED AREA":  
B "SURETY":

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between Lisbon Valley Mining Co. LLC & Summo USA Corporation the "Operator" and the Utah State Division of Oil, Gas and Mining ("Division").

WHEREAS, Operator desires to conduct mining operations under Notice of Intention (NOI) File No. M/037/088 which has been approved by the Utah State Division of Oil, Gas and Mining under the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (1953, as amended) (hereinafter referred to as "Act") and implementing rules; and

WHEREAS, Operator is obligated to reclaim that area described as the Disturbed Area as set forth and in accordance with Operator's approved Reclamation Plan, and Operator is obligated to provide surety in form and amount approved by the Division, to assure reclamation of the Disturbed Area.

NOW, THEREFORE, the Division and the Operator agree as follows:

1. Operator agrees to conduct reclamation of the Disturbed Area in accordance with the Act and implementing regulations, the original Notice of Intention dated August 8, 1995, and the original Reclamation Plan dated August 8, 1995. The Notice of Intention as amended, and the Reclamation Plan, as amended, are incorporated by this reference and made a part hereof.
2. Concurrent with the execution hereof, Operator has provided surety to assure that reclamation is conducted, in form and amount acceptable to the Division. Such surety as evidenced by the Surety Contract is in the form of the surety attached hereto as Attachment B and made a part hereof. The Surety Contract shall remain in full force and effect according to its terms unless modified by the Division in writing. If the Surety Contract expressly provides for cancellation, then, within 60 days following the Division's receipt of notice that the Surety Company intends to cancel the Surety Contract, the Operator shall provide a replacement Surety Contract in a form and amount reasonably acceptable to the Division. If the Operator fails to provide an acceptable replacement Surety Contract, the Division may order the Operator to cease further mining activities and to begin immediate reclamation of the Disturbed Area.
3. Operator agrees to pay legally determined public liability and property damage claims resulting from mining to the extent provided in Section 40-8-7(1)(e) of the Act.
4. Operator agrees to perform all duties and fulfill all reclamation requirements applicable to the mine as required by the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
5. The Operator's liability under this Contract shall continue in full force and effect until the Division certifies that the Operator has reclaimed the Disturbed Area in accordance with the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
6. If reclamation of discrete sections of the Disturbed Area is completed to the satisfaction of the Division, and the Division finds that such sections are severable from the remainder of the Disturbed Area, Operator may request the Division to certify that Operator has reclaimed such discrete sections of the Disturbed Area in accordance with the Act and Implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended. If the Division makes such certification, Operator may make request to the Division that the aggregate face

amount of the Surety Contract provided pursuant to paragraph 2 be reduced to an amount necessary to provide for completion of the remaining reclamation. The Division shall hear Operator's request for such reduction in accordance with the Board's Procedural Rules concerning requests for Agency Action.

7. Operator agrees to indemnify and hold harmless the State, Board and the Division from any claim, demand, liability, cost, charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents and employees, or contractors to comply with this Contract.
8. Operator may, at any time, submit a request to the Division to substitute surety. The Division may approve such substitution if the substitute surety meets the requirements of the Act and the implementing rules.
9. This Contract shall be governed and construed in accordance with the laws of the State of Utah.
10. If Operator shall default in the performance of its obligations hereunder, Operator agrees to pay all costs and expenses, including reasonable attorney's fees and costs incurred by the Division and/or the Board in the enforcement of this Contract.
11. Any breach that the Division finds to be material of the provisions of this Contract by Operator may, at the discretion of the Division, result in an order to cease mining operations. After opportunity for notice and hearing, the Board of Oil, Gas and Mining may enter an order to revoke the Notice of Intention, order reclamation, or order forfeiture of the Surety Contract, or take such other action as is authorized by law.
12. In the event of forfeiture of the Surety Contract, Operator shall be liable for any additional costs in excess of the surety amount which are required to comply with this Contract. Any excess monies resulting from forfeiture of the Surety Contract, upon completion of reclamation and compliance with this Contract, shall be returned to the rightful claimant.
13. This Contract including the Notice of Intention, as amended and the Reclamation Plan, as amended, represents the entire agreement of the parties involved, and any modification must be approved in writing by the parties involved.
14. Each signatory below represents that he/she is authorized to execute this Contract on behalf of the named party.

OPERATOR:

Lisbon Valley Mining Co. LLC  
by Summo USA Corporation - Manager  
Operator Name

By Robert A. Prescott  
Authorized Officer (Typed or Printed)

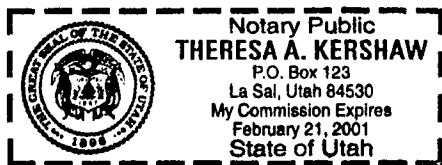
Vice President  
Authorized Officer - Position

[Signature]  
Officer's Signature

September 21, 1999  
Date

STATE OF Utah )  
COUNTY OF San Juan ) ss:

On the 21<sup>st</sup> day of September, 19 99, personally  
appeared before me Robert A Prescott who being by  
me duly sworn did say that he is, the said Robert A. Prescott  
is the Vice President of Summo USA Corporation  
and duly acknowledged that said instrument was signed on behalf of said company  
by authority of its bylaws or a resolution of its board of directors and said  
Robert A Prescott duly acknowledged to me that said  
company executed the same.



Theresa A Kershaw  
Notary Public  
Residing at: PO Box 123, LaSal UT 84530

February 21, 2001  
My Commission Expires:

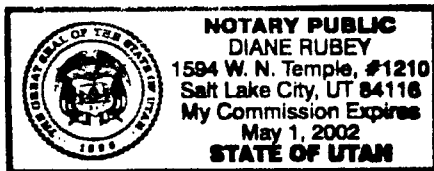
DIVISION OF OIL, GAS AND MINING:

By Lowell P. Braxton  
Lowell P. Braxton, Director

10/6/99  
Date

STATE OF UTAH )  
COUNTY OF SALT LAKE ) ss:

On the 6th day of October, 19 99,  
personally appeared before me Lowell P. Braxton, who being  
duly sworn did say that he/she, the said Lowell P. Braxton  
is the Director of the Division of Oil, Gas and Mining, Department of Natural Resources,  
State of Utah, and he/she duly acknowledged to me that he/she executed the foregoing  
document by authority of law on behalf of the State of Utah.



Diane Rubey  
Notary Public  
Residing at: Salt Lake City, Utah

My Commission Expires: 5/1/2002

**ATTACHMENT "A"**

Lisbon Valley Mining Co. LLC

by: Summo USA Corporation: Manager  
**Operator**

Lisbon Valley Copper Project  
**Mine Name**

M/037/088  
**Permit Number**

San Juan County, Utah

**The legal description of lands to be disturbed is:**

Approximately 2.57 acres from exploration drilling and monitoring wells located within:

Township 30 South, Range 25 East

SE1/4 and SW1/4 Section 25

NE1/4 Section 26

NE1/4 Section 35

NW1/4 Section 36

Township 31 South, Range 26 East

NE1/4 Section 5

Township 31 South, Range 25 East

NE1/4 Section 1

As described in the 1/19/99 "Well Locations" map.

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As amended to include approximately 1.02 acres from exploration drilling within:

Township 30 South, Range 25 East

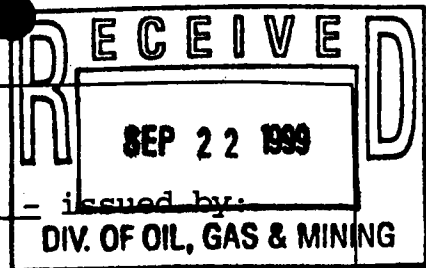
NW1/4 NW1/4 Section 36

NE1/4 NE1/4 Section 35

As described in the August 12, 1999 "Attachment 1" map.



M/037/088



**SURETY BOND RIDER**

To be attached to Bond Number 41-0130-24289-97-1

United States Fidelity and Guaranty Company

(as Surety)

In the amount of Sixty Nine Thousand Nine Hundred Dollars and No/100-----  
(\$69,900.00)

Effective the 2nd day of July 1997

ON BEHALF OF Lisbon Valley Mining Company LLC

IN FAVOR OF State of Utah, Division of Oil, Gas and Mining, and The U.S.  
Department of the Interior - BLM and the School and Institutional  
Trust Lands Administration

In consideration of the premium charged for the attached bond, it  
is mutually understood and agreed by the Principal and the Surety  
that the amount shall be modified to read as follows:

The above said bond amount shall be ~~increased/decreased~~ from the  
above to: Seventy Seven Thousand Sixty Six Dollars and No/100 (\$77,066.00),  
A difference of Seven Thousand One Hundred Sixty Six Dollars and No/100 (\$7,166.00),  
and in connection with the Lisbon Valley Project - 1999 Summer Exploration  
Program, and Number M/037/088.

All other items, limitations and conditions of said bond except  
as herein expressly modified shall remain unchanged.

This rider shall be effective as of the 15th day of Sept. 1999

Signed, sealed and dated this 15th day of Sept. 1999.

SEAL

Summo USA Corporation, Manager of  
Lisbon Valley Mining Company LLC

By: Gregory A. Hahn, President

SEAL

UNITED STATES FIDELITY AND GUARANTY COMPANY

Vivienne Douglas Attorney-in-Fact

# United States Fidelity and Guaranty Company

## Power of Attorney

No. 110405



Know all men by these presents: That **United States Fidelity and Guaranty Company**, a corporation organized and existing under the laws of the State of Maryland and having its principal office at the City of Baltimore, in the State of Maryland, does hereby constitute and appoint **Gary E. Smith, Ray A. Leonard, Vivienne Douglas and Connie S. Kerr**

of the City of **Denver** , State of **Colorado** its true and lawful Attorney(s)-in-Fact, each in their separate capacity if more than one is named above, to sign its name as surety to, and to execute, seal and acknowledge any and all bonds, undertakings, contracts and other written instruments in the nature thereof on behalf of the Company in its business of guaranteeing the fidelity of persons; guaranteeing the performance of contracts; and executing or guaranteeing bonds and undertakings required or permitted in any actions or proceedings allowed by law.

In Witness Whereof, the said **United States Fidelity and Guaranty Company**, has caused this instrument to be sealed with its corporate seal, duly attested by the signatures of its Vice President and Assistant Secretary, this **13th** day of **June** , A.D. 19**97**.



**United States Fidelity and Guaranty Company.**

(Signed) By *Gary E. Smith* Vice President

(Signed) By *Thomas E. Huibregtse* Assistant Secretary

State of Maryland )

SS:

Baltimore City )

On this **13th** day of **June** , A.D. 19**97** , before me personally came Gary A. Wilson, Vice President of **United States Fidelity and Guaranty Company**, and Thomas E. Huibregtse, Assistant Secretary of said Company, with both of whom I am personally acquainted, who being by me severally duly sworn, said, that they, the said Gary A. Wilson and Thomas E. Huibregtse were respectively the Vice President and the Assistant Secretary of the said **United States Fidelity and Guaranty Company**, the corporation described in and which executed the foregoing Power of Attorney; that they each knew the seal of said corporation; that the seal affixed to said Power of Attorney was such corporate seal, that it was so affixed by order of the Board of Directors of said corporation, and that they signed their names thereto by like order as Vice President and Assistant Secretary, respectively, of the Company.

My Commission expires the **1st** day of **August** A.D. 19**98**.



(Signed) By *Emma L. Kulwright* Notary Public

This Power of Attorney is granted under and by authority of the following Resolutions adopted by the Board of Directors of the **United States Fidelity and Guaranty Company** on September 24, 1992:

**Resolved**, that in connection with the fidelity and surety insurance business of the Company, all bonds, undertakings, contracts and other instruments relating to said business may be signed, executed, and acknowledged by persons or entities appointed as Attorney(s)-in-Fact pursuant to a Power of Attorney issued in accordance with these resolutions. Said Power(s) of Attorney for and on behalf of the Company may and shall be executed in the name and on behalf of the Company, either by the Chairman, or the President, or an Executive Vice President, or a Senior Vice President, or a Vice President or an Assistant Vice President, jointly with the Secretary or an Assistant Secretary, under their respective designations. The signature of such officers may be engraved, printed or lithographed. The signature of each of the foregoing officers and the seal of the Company may be affixed by facsimile to any Power of Attorney or to any certificate relating thereto appointing Attorney(s)-in-Fact for purposes only of executing and attesting bonds and undertakings and other writings obligatory in the nature thereof, and subject to any limitations set forth therein, any such Power of Attorney or certificate bearing such facsimile signature or facsimile seal shall be valid and binding upon the Company and any such power so executed and certified by such facsimile signature and facsimile seal shall be valid and binding upon the Company with respect to any bond or undertaking to which it is validly attached.

**Resolved**, That Attorney(s)-in-Fact shall have the power and authority, and, in any case, subject to the terms and limitations of the Power of Attorney issued to them, to execute and deliver on behalf of the Company and to attach the seal of the Company to any and all bonds and undertakings, and other writings obligatory in the nature thereof, and any such instrument executed by such Attorney(s)-in Fact shall be as binding upon the Company as if signed by an Executive Officer and sealed and attested to by the Secretary of the Company.

I, Thomas E. Huibregtse, an Assistant Secretary of the **United States Fidelity and Guaranty Company**, do hereby certify that the foregoing are true excerpts from the Resolutions of the said Company as adopted by its Board of Directors on September 24, 1992 and that these Resolutions are in full force and effect.

I, the undersigned Assistant Secretary of the **United States Fidelity and Guaranty Company**, do hereby certify that the foregoing Power of Attorney is in full force and effect and has not been revoked.

In Testimony Whereof, I have hereunto set my hand and the seal of the **United States Fidelity and Guaranty Company**, on this **15th** day of **September**, 19**99**



*Thomas E. Huibregtse*  
Assistant Secretary